OVERVIEW OF CERTAIN PROVISIONS IN THE CHAIRMAN'S TAX REFORM PROPOSAL RELATING TO EXCISE TAXES AND TARIFFS

Scheduled for a Hearing

Before the

SENATE COMMITTEE ON FINANCE

on April 21, 1986

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION

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I. SUMMARY

The Senate Committee on Finance, as part of its consideration of tax reform proposals, has scheduled a public hearing on April 21, 1986, on certain provisions of Chairman Bob Packwood's tax reform proposal that relate to Federal excise taxes and tariffs. The Chairman's proposal includes three principal changes concerning excise taxes and tariffs.

First, amounts paid as Federal excise taxes and tariffs would not be deductible for Federal income tax purposes. Under present law, Federal excise taxes and tariffs incurred in the conduct of a trade or business or for the production of income may be deductible as part of the cost of goods sold, as ordinary and necessary costs of doing business or producing income, or as part of the basis for depreciation or amortization deductions. Federal excise taxes and tariffs that are not incurred in a business or in producing income are not deductible for Federal income tax purposes.

Second, the rate of excise tax on certain types of wine would be made equivalent to the rate at which beer is taxed, based on alcohol content.

Third, excise tax rates applicable to alcohol products, tobacco products, and motor fuels would be adjusted to reflect price changes.

This document,[1] prepared by the staff of the Joint Committee on Taxation, contains background information for use by the Committee in its consideration of these provisions.

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[1] This document may be cited as follows: Joint Committee on Taxation, Overview of Certain Provisions in the Chairman's Tax Reform Proposal Relating to Excise Taxes and Tariffs (JCX-4-86), April 18, 1986.

II. NONDEDUCTIBILITY OF FEDERAL EXCISE TAXES AND TARIFFS

Present Law

Overview of excise taxes

Federal excise taxes are imposed on the manufacture, sale, or use of a variety of goods and services, and on certain occupations.

Commodities subject to Federal excise taxes include alcoholic beverages (distilled spirits, wine, and beer), tobacco products (cigars and cigarettes), motor fuels (gasoline, diesel, and special motor fuels), heavy tires and trucks, coal, crude oil, sport fishing equipment, bows and arrows, firearms and ammunition, gas guzzling automobiles, and deep seabed minerals. Services subject to Federal excise taxes include domestic air passenger and cargo transportation, communications (telephone) services, and foreign insurance policies.

In addition to the transactional excises on certain commodities and services, an annual use tax applies to heavy highway vehicles. Also, excise taxes apply to certain occupations (alcoholic beverages, certain firearms, and wagering).

Revenues from some of the current Federal excise taxes are dedicated to specific trust funds in the Treasury, and thus are reserved for specified expenditure purposes (e.g., highways, airports and airways, black lung disability benefits, and inland waterways).

Rates, incidence of excise taxes

Federal excise taxes generally are imposed at a prescribed rate per commodity unit (e.g., $12.50 per proof gallon of distilled spirits), a prescribed percentage of the selling price (e.g., eight percent of the air passenger ticket price), or a variant of these basic rate structures (e.g., $1.10 per ton for underground mined coal, up to a maximum of 4.4 percent of the coal's selling price). Occupational excise taxes are imposed on an annual basis (e.g., $123 per year for wholesale beer dealers).

Excise taxes are imposed, in various cases, at the manufacturer (producer) level or importer level; at the wholesale level; at the retail (or service provider) level; or on the taxable use of a product or article if no sale occurs. Excise tax may be imposed directly on the business engaged in the production or activity subject to tax. In other instances, tax is imposed on the purchaser, with the seller acting as a tax collection agent for the Government.

Appendix A lists presently imposed Federal excise taxes, categorized according to point of imposition as follows: (1) taxes imposed on manufacturers (producers) or importers; (2) taxes imposed on retailers or service providers; (3) taxes imposed on persons paying for services; (4) taxes imposed on use; and (5) taxes imposed on an occupation. Appendix A also indicates whether the excise tax revenues are dedicated to a trust fund.

Overview of tariffs

Tariffs, or customs duties, are imposed on various categories of articles that are imported into the customs territory of the United States (including the 50 States, the District of Columbia, and Puerto Rico). Tariffs are imposed pursuant to the Tariff Act of 1930 (19 U.S.C. sec. 1202 et seq.), and may be subject to international limitations pursuant to the General Agreement on Tariffs and Trade (GATT).

Tariffs generally are imposed at a uniform rate for imports from most noncommunist countries. Lower rates apply to certain imports from developing countries and other specified countries; higher rates apply to imports from certain communist nations. Imports from U.S. insular possessions may be made duty-free if the imported product is not comprised primarily of foreign materials.

Liability for tariffs is imposed on the "importer of record" of a given article or substance. The importer of record may be the owner, purchaser, or consignee of the merchandise at the time of import, or a licensed customs broker. The importer of record may be a person not subject to U.S. income tax under present law.

The value and rates of tariffs on selected major commodity groups are summarized in Appendix C.

Income tax treatment of payors of excise taxes and tariffs

a. Deductible taxes and tariffs

In general.--Federal excise taxes and tariffs are deductible for Federal income tax purposes when incurred in the conduct of a trade or business or for the production of income. Payments of excise taxes and tariffs incurred in a business or income-producing activity may be taken into account for Federal income tax purposes in one of several ways.

Providers of goods or services may treat excise taxes or tariffs associated with providing the goods or services as a cost of sales or of providing the service. Other taxpayers

may treat payments of excise taxes and tariffs as giving rise to current deductions, may capitalize them as part of the basis of an asset, or may absorb them as inventory costs. Generally, the treatment of these amounts corresponds to the treatment of the goods or services to which the tax or tariff relate.

If a provider of goods or services collects and remits an excise tax as the government's agent (this is the case for the excise taxes on telephone services, air cargo, and air passengers), the provider does not take the tax amount into account for Federal income tax purposes. In such circumstances, the collection of the tax or tariff is not an item of income, and its remittance to the Government is not an item of cost or expense. Thus, the tax or tariff is not recorded as an item affecting taxable income.

Providers of goods.--Excise taxes or tariffs imposed on the manufacture or sale of a product (e.g., distilled spirits) may be treated as a cost of goods sold. In these cases, any amount that is collected from customers purchasing the product on account of the tax or tariff must be included in gross receipts in computing the provider's taxable income.

The windfall profit tax currently is deductible under a specific Code provision (sec. 164(a)(5)).

Other taxpayers.--A business may be allowed current deductions for excise taxes and tariffs as ordinary and necessary business expenses (sec. 162) or as expenses paid or incurred for the production of income (sec. 212). Generally, this treatment is available if the product or service to which the tax or tariff relates also is deductible currently, and in the case of occupational excise taxes.

If an excise tax or tariff is paid or incurred in order to obtain an asset the cost of which is capitalized, the tax or tariff normally is included as part of the capitalized cost of the asset. The tax or tariff then is recovered (through depreciation deductions) in the same manner and at the same rate as the other capitalized costs of acquiring the asset.

Excise taxes and tariffs paid or incurred in connection with items of inventory are subject to the absorption rules applicable to other inventory costs. Generally, the determination of whether the tax or tariff is deducted currently or is absorbed as part of the cost of inventory follows the treatment the taxpayer uses for financial accounting purposes (Treas. Reg. sec. 1.471-11). Items that are included in inventory costs are deducted at the time the inventory is sold or otherwise disposed of.

b. Nondeductible taxes and tariffs

Federal excise taxes and tariffs that are not incurred in a trade or business or for the production of income are not deductible for Federal income tax purposes.

Federal excise taxes imposed under chapters 41-44 and 46[2] of the Code are not deductible for Federal income tax purposes (sec. 275(a)(6)). Also, the Code disallows deductions for Federal income taxes, estate and gift taxes, and Federal war profits or excess profits taxes (sec. 275(a)(2)).

c. Non-U.S. persons

Non-United States persons who import products subject to excise taxes and tariffs are payors of these taxes and tariffs. The rules governing liability for Federal income tax are, in some cases, different than the rules governing liability for excise taxes and tariffs. Thus, in these cases, payors of excise taxes or tariffs may not, under present law, be U.S. income tax payors.

The United States may subject certain foreign persons to Federal income tax, either on a gross basis or on a net basis. Gross basis taxation occurs if the foreign person is not engaged in a U.S. trade or business and receives U.S.-source interest, dividends, or other fixed or determinable types of income. In these instances, the person remitting the income (or otherwise having control over the income) withholds U.S. tax at a 30-percent rate, or such lower rate as may be provided by an income tax convention between the United States and a foreign country. (Some interest is exempt from tax in the hands of foreign persons.) In these cases, the foreign person is not allowed to account for any costs or expenses paid. Thus, a foreign person who pays an excise tax or tariff in connection with an item of income that is subject to a gross basis tax is not allowed to reduce the amount subject to tax by the excise tax or tariff.

Net basis taxation occurs if the foreign person is engaged in the conduct of a U.S. trade or business and has income effectively connected with the trade or business. In these instances, foreign persons compute their U.S. income

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[2] These are the excise tax on investment income of private foundations and the so-called "penalty" excise taxes relating to certain proscribed transactions or expenditures by charitable organizations, private foundations, black lung benefit trusts, pension plans, welfare benefit plans, and real estate investment trusts, and excess "golden parachute" payments.

tax liability similar to U.S. persons; that is, they are allowed to claim deductions attributable to their income and to offset their tax liability with allowable tax credits. Any excise tax or tariff paid by a foreign person engaged in a U.S. trade or business is therefore treated as an item of expense or as includible in costs of goods sold.

In determining whether a foreign person is engaged in a trade or business, all the facts and circumstances are taken into account. Selling inventory property into the United States, however, generally is considered engaging in a U.S. trade or business. Generally, only U.S.-source income is considered to be effectively connected with a U.S. trade or business. One category of foreign-source income that is considered effectively connected with a U.S. trade or business, however, includes income derived from the sale of inventory property to the extent the income is attributable to a U.S. office or other fixed place of business within the United States and the sale occurs through such office or other fixed place of business.

In the case of sales of personal property (such as inventory), income derived from such sales generally is U.S.-source if title to the goods passes within the United States. If title passes outside the United States, the income generally is foreign-source and generally is not considered effectively connected with the trade or business, and hence, subject to U.S. tax. Thus, in general, foreign persons can avoid becoming subject to U.S. income tax by passing title offshore.

Revenue effect of imposing excise taxes and tariffs

Federal excise taxes and tariffs are deductible for income tax purposes when incurred in the conduct of a trade or business or for the production of income. Thus, in such cases, the net revenue derived by the Federal Government from imposition of such taxes and tariffs is less than the gross receipts from such taxes or tariffs.

The revenue effect of imposing an excise tax or tariff consists of two parts: (1) the excise tax or tariff receipts, and (2) an offsetting change in income tax receipts. The amount of excise tax or tariff receipts depends on both the excise tax or tariff rates imposed and the reduction in sales of taxable items attributable to imposition of the tax or tariff.

The methodology used by the Joint Committee on Taxation, the Treasury Department, and the Congressionl Budget Office assumes a change in excise or tariff receipts alters estimated income tax receipts. This is necessary to maintain consistency with macroeconomic projections and budget baselines. If projected gross national product (GNP) is

fixed at the baseline level and all other things are held equal, an increase in excise tax or tariff receipts reduces national income. The reduction in national income may occur in the industry subject to the excise tax or tariff, if the cost of the tax or tariff is not passed through to consumers. Alternatively, if the excise tax or tariff cost is passed through to consumers, then, consistent with budget baselines, prices of other products fall and other incomes are reduced.

The components of national income include wages and salaries, proprietors' income, rental income of persons, corporate profits, and net interest. To estimate the loss of income tax receipts attributable to a reduction in national income, a weighted average tax rate is computed using estimates of the effective tax rate on each component of national income. Under the Chairman's proposal, the weighted average effective tax rate is estimated to be 22 percent. Thus, the net revenue to the Federal Government from an excise tax or tariff is estimated to be 78 percent of the gross amount. This analysis is illustrated by the following table:

Excise Tax	Present Law Rate	Net Revenue to Government
Distilled Spirits	$12.50/proof gal.	$ 9.75/proof gal.
Cigarettes	$ 0.16/pack	$ 0.125/pack
Gasoline	$ 0.09/gallon	$ 0.072/gallon

Additionally, revenues from many of the Federal excise taxes and certain tariffs are deposited in trust funds for user- or benefit-based spending programs. The amount transferred to such trust funds is equal to gross tax or tariff receipts. Thus, income tax deductions for such excise taxes and tariffs result in a net revenue loss to the general fund of the Treasury.

Overview of the Chairman's Proposal

General rule

Under the Chairman's proposal, Federal excise taxes and tariffs would not be deductible for Federal income tax purposes.

This deduction disallowance rule would apply to all forms of deductibility, whether direct or indirect, and whether otherwise allowable in a single taxable year or over several taxable years. Thus, for example, Federal excise taxes and tariffs would not be deductible as ordinary or necessary business expenses (sec. 162) or as expenses incurred in the production of income (sec. 212), would not be includible in cost of goods sold for purposes of determining gross income from sales of inventory, and would not increase the basis of any asset for purposes of determining allowances for depreciation or gain or loss on disposition.

Under a rule designed to ensure that nondeductibility would have a uniform impact on all taxpayers, the income of persons liable for excise taxes could not be reduced by otherwise allowable deductions below the amount of the payor's total excise tax liability for the year (the "excise tax disallowance amount"). Thus, for example, the taxpayer's excise tax disallowance amount could not be reduced by current losses, net operating loss carryovers or carrybacks from prior or future taxable years, or by losses of affiliated corporations filing a consolidated return with the taxpayer. The maximum tax rate under the Chairman's proposal (35 percent) would apply to the excise tax disallowance amount; the tax as so computed could not be offset by tax credits. A similar rule would apply with respect to tariffs.

Special rules would be provided to in the case of all non-U.S. persons not otherwise subject to the Federal income tax.

Application to pass-through entities

In the case of partnerships, trusts, cooperatives, and other pass-through entities liable for Federal excise taxes or tariffs, the disallowance of the deduction would occur at the partner or beneficiary level. All computations would be performed at the entity level, however. Thus, the entity would be required to withhold and pay over to the Federal Government the income tax liability of its owners or beneficiaries attributable to the nondeductibility rule. Withholding entities would be required to provide beneficial

owners with a statement of their allocable share of the excise tax and of the tax liability attributable to such amount.[3]

Incidence of excise taxes and tariffs

In general, the incidence of Federal excise taxes and tariffs would remain on the seller, producer, manufacturer, or importer of taxable products and on the provider of taxable services, with certain clarifications regarding present law.[4] The incidence of the air passenger, air cargo, and telephone excise taxes would be shifted from the consumer of services to the service-provider or seller in order to ensure that the full impact of nondeductibility would be achieved.

Effective date

The nondeductibility rule would apply with respect to excise taxes and tariffs paid or incurred after December 31, 1986.

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[3] The effect of this approach would be the same as if the excise tax and tariff disallowance amount were flowed though to the owners subject to the rules and general limitations described above, and the owners then received a credit against their income tax liability for taxes withheld by the entity.

[4] As under present law, the use without sale by a producer, etc. in its business would be treated as a sale.

III. MODIFICATIONS OF CERTAIN EXCISE TAXES

A. Wine Tax Rate Equivalency

Present Law

Wine.--Wine is taxed at rates that vary according to the alcohol content, as follows:

Type of wine	Tax per gallon
Still wines:	
Not more than 14% alcohol	17 cents
Above 14% but not above 21%	67 cents
Above 21% but not above 24%	$2.25
Artificially carbonated wines	$2.40
Champagne and sparkling wines	$3.40

Most wine sole in the United States falls in the category of not more than 14% alcohol.

Distilled spirits.--Distilled spirits (whiskey, liquor, or liqueurs) are taxed at $12.50 per proof gallon. A proof gallon contains 50-percent alcohol.

Beer.--Beer is taxed at $9 per barrel of 31 gallons; this is equivalent to 29 cents per gallon. The rate is reduced to $7 per barrel on the first 60,000 barrels of beer for producers of who produce no more than two million barrels of beer per year.

Comparative rates.--Per ounce of alcohol, the Federal excise tax rate is 19.5 cents on whiskey or other distilled spirits; 5.0 cents on beer (containing 4.5 percent alcohol); and 1.2 cents on most wine (i.e., for wine containing not more than 14 percent alcohol). Thus, the same volume of alcohol is taxed four times more heavily in distilled spirits than in beer, and 16 times in distilled spirits more heavily than in wine. The same volume of alcohol in beer generally is taxed four times more heavily than in wine.

Chairman's Proposal

Under the Chairman's proposal, the excise tax rate on wine having an alcohol content of 21 percent or less would be increased to a rate equivalent to the alcohol proof rate currently imposed on beer, effective October 1, 1986.

B. Adjusting Excise Taxes on Alcohol, Tobacco, and Motor Fuels for Price Changes

Present Law

Excise taxes on alcohol and tobacco products, on gasoline, diesel fuel, and special motor fuels, and on aviation fuels are imposed at flat rates per quantity each taxable product. Thus, the amount of tax does not change when the price of the taxed product changes. For example, a fifth of whiskey with 40 percent alcohol would be taxed at $2 per gallon, whether the price per gallon was $10 (equivalent to a 20-percent tax) or $20 (equivalent to a 10-percent tax).

Some excise taxes are levied as a specified percentage of the price paid--for example, the eight-percent tax on the price of an air passenger ticket and the five-percent tax on the cost for transporting air freight. Thus, the amount of tax paid on an air passenger ticket is $4 on a $50 ticket, $8 on a $100 ticket price, and $16 on a $200 ticket.

Chairman's Proposal

The rates of excise tax on alcohol and tobacco products and on motor fuels would be adjusted to reflect increases in prices. The rates, as adjusted, could not fall below the present-law levels or, in the case of wine, the increased level provided in the Chairman's proposal. This provision would be effective October 1, 1986.

APPENDIX A: PRESENT FEDERAL EXCISE TAXES AND RATES, BY INCIDENCE OF TAX[5]

1. Excise Taxes Imposed on Manufacturers (Producers) or Importers

Alcohol Beverage Taxes	
Distilled spirits (sec. 5001)	$12.50 per proof gallon
Wines (sec. 5041):	
Still wines--	
Not more than 14% alcohol	17 cents per wine gallon
14-21% alcohol	67 cents per wine gallon
21-24% alcohol[6]	$2.25 per wine gallon
Artificially carbonated wines	$2.40 per wine gallon
Champagne and other sparkling wines	$3.40 per wine gallon
Beer (sec. 5051)	$9 per barrel (31 gal.) generally[7]
Tobacco Products Taxes	
Cigars (sec. 5701(a)):	
Small cigars	75 cents per thousand
Large cigars	8-1/2 percent of wholesale price (up to $20 per thousand)

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[5] The private foundation and "penalty" excise taxes (chapters 41-44 and 46 of the Code) are not listed in this Appendix, inasmuch as they are nondeductible under present law. For a complete listing of present-law Federal excise taxes, see Joint Committee on Taxation, Schedule of Present Federal Excise Taxes (As of January 1, 1986), (JCS-6-86), February 27, 1986.

[6] Wines containing more than 24% alcohol are taxed as distilled spirits.

[7] $7 per barrel for certain small brewers.

Cigarettes (sec. 5701(b)):	
Small cigarettes	$8 per thousand (i.e., 16 cents per pack of 20)
Large cigarettes	$16.80 per thousand
Cigarette papers and tubes:	
Cigarette papers (sec. 5701(c))	1/2 cent for each 50 papers
Cigarette tubes (sec. 5701(d))	1 cent for each 50 papers
Highway Trust Fund Taxes	
Tires for heavy vehicles (sec. 4071)	Graduated rates for tires over 40 pounds
Gasoline for highway use (sec. 4081)	9 cents per gallon generally[8]
"Superfund" Taxes[9]	
Crude oil (sec. 4611)	0.79 cents per barrel (expired Oct. 1, 1985)
Chemical feedstocks (sec. 4661)	Tax ranged from $0.22 to $4.87 per ton (expired Oct. 1, 1985)
Black Lung Trust Fund Tax	
Coal (sec. 4121)	$1.10 per ton for underground coal and 55 cents per ton for surface coal (up to 4.4 percent of the coal's selling price)

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[8] There is a 6-cents-per-gallon exemption for gasohol and a 4.5-cents-per-gallon exemption for alcohol fuels from natural gas.

[9] Although these Superfund excise taxes expired October 1, 1985, they are listed here because tax extension legislation for these taxes has passed both the House and the Senate (H.R. 2005), and is awaiting conference action.

Aquatic Resources Trust Fund Taxes	
Gasoline used in motorboats (sec. 4081)	9 cents per gallon generally[10]
Sport fishing equipment (sec. 4161(a))	10 percent of manufacturers (importers) price; except 3 percent for electric outboard motors and certain fishfinders (tax on fish finders limited to $30 per item)
Bows and Arrows and Firearms Taxes	
Bows and arrows (sec. 4161(b))	11 percent of manufacturers (importers) price
Pistols and revolvers (sec. 4181)	10 percent of manufacturers (importers) price
Rifles and shotguns and ammunition (sec. 4181)	11 percent of manufacturers (importers) price
"Nonregular" firearms (secs. 5811, 5821):	
Transfers generally	$200 per transfer
Transfers of certain concealable weapons	$5 per transfer
Making such firearms	$200 per firearm
Gas Guzzler Tax (sec. 4064)	Taxed at graduated levels, if under 22.5 mpg

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[10] See footnote 8.

Crude Oil Windfall Profit Tax
(sec. 4986 et seq.)

Tier 1 oil	70 percent of windfall profit; 50 percent for independent producers
Tier 2 oil	60 percent of windfall profit; 30 percent for independent producers
Tier 3 oil:	
Newly discovered oil	22.5 percent for 1984-87; 20 percent for 1988; and 15 percent thereafter
Heavy oil and incremental tertiary oil	30 percent

2. Excise Taxes on Retailers and Service Providers

Highway Trust Fund Taxes	
Diesel fuel (sec. 4041(a)) generally[11]	15 cents per gallon
Special motor fuels, including alcohol fuels from petroleum (sec. 4041(b))	9 cents per gallon
Heavy trucks and trailers (sec. 4051)	12 percent of retailers price
Airport and Airway Trust Fund Taxes	
Fuels for noncommercial (general) aviation (sec. 4041(c)):	
Gasoline	12 cents per gallon
Nongasoline fuels	14 cents per gallon
Aquatic Resources Trust Fund Taxes	
Special fuels used in motorboats (sec. 4041(a)(2))	9 cents per gallon
Wagering Tax (sec. 4401)	2 percent of wager generally, except 0.25 percent in States where wagering authorized by State law

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[11] A net tax of 3 cents per gallon (12 cents per gallon refund or credit) applies to certain privately operated intercity buses.

Tax on Foreign Insurance Policies (sec. 4371)	
Casualty insurance and indemnity bonds	4 cents per dollar of premiums
Life insurance, sickness	1 cent per dollar of premiums (unless the insurer is taxed under sec. 813)
Reinsurance	1 cent per dollar of premiums

3. Excise Taxes Imposed on Service Recipients [12]

Airport and Airway Trust Fund Taxes	
Domestic air passenger tickets (sec. 4261)	8 percent of airfare
International departures (sec. 4261(c)	$3 per person
Domestic air cargo (sec. 4271)	5 percent of charge
Communications (Telephone) Tax (sec. 4251)	3 percent of amount paid

4. Excise Taxes Imposed on Use

Inland Waterways Trust Fund Tax	
Diesel and other liquid fuels used by commercial cargo vessels on specified inland or intracoastal waterways (sec. 4042)	10 cents per gallon

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[12] These excise taxes are collected from the payor (consumer of the service) by the business providing the service and paid over to the Internal Revenue Service; however, the tax liability is on the purchaser.

Highway Trust Fund	
Use tax on heavy highway vehicles (sec. 4481)	Graduated tax rates on vehicles over 55,000 pounds
Deep Seabed Trust Fund	
Tax on mining of certain hard minerals from the seabed (sec. 4495)	3.75 percent of 20 percent (or 0.75 percent) of fair market value of specified commercially recoverable minerals (manganese, nickel, cobalt, or copper)

5. Occupational Excise Taxes

Alcoholic Beverages	
Brewers (sec. 5091)	$110 per year ($55 for less than 500 barrels a year)
Wholesale dealers (sec. 5111):	
Liquors and wines	$255 per year
Beer	$123 per year
Retail dealers (sec. 5121):	
Liquors and wines	$54 per year
Beer	$24 per year
"Non-Regular" Firearms[13]	
Importers and manufacturers (sec. 5801)	$500 per year[14]
Dealers (sec. 5801)	$200 per year[15]

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13 Firearms other than regular pistols, revolvers, rifles and shotguns (e.g., machine guns, sawed-off shotguns or rifles, silencers, explosive devices, and certain concealable weapons).

14 For importers and manufacturers of concealable weapons only, the annual tax is $25 per place of business (sec. 5845(e)).

15 For dealers of nonconcealable weapons only, the annual tax is $10 per place of business (sec. 5845(e)).

Wagering (sec. 4411)	$500 per year; except tax is $50 per year in States where wagering is authorized by State law.

APPENDIX B: FEDERAL EXCISE TAX RECEIPTS BY SOURCE, FISCAL YEARS 1985-1987

(in millions of dollars)

Source	1985 Actual	1986 Estimate	1987 Estimate
Federal funds:			
Alcohol taxes:			
Distilled spirits	3,728	4,110	4,104
Beer	1,660	1,605	1,613
Wines	269	276	291
Special taxes in connection with liquor occupations	21	21	21
Refunds	-116	-124	-128
Total alcohol taxes	5,562	5,888	5,901
Tobacco taxes:			
Cigarettes	4,743	3,536	2,320
Proposed legislation[16]	.....	1,021	2,242
Cigars	30	30	30
Cigarette papers and tubes	2	2	2
Other	8	8	8
Refunds	-4	-3	-2
Total tobacco taxes	4,779	4,594	4,600
Manufacturers excise taxes:			
Firearms, shells, and cartridges	89	92	98
Pistols and revolvers	23	24	26
Bows and arrows	8	9	9
Gas guzzler tax	40	58	75
Windfall profit tax	6,396	4,161	2,774
Refunds	-61	-90	-27
Total manufacturers excise taxes	6,496	4,255	2,956

[16] Permanent extension of 16-cents per pack cigarette tax rate (enacted in P.L. 99-272).

Miscellaneous excise taxes:			
General and toll telephone and teletype service.....	2,147	2,327	2,551
Wagering taxes, including occupational taxes.....	7	7	8
Employee pension plans.....	14	14	15
Tax on foundations.....	142	127	127
Foreign insurance policies....	74	80	87
Other.....	1	....	....
Refunds.....	-65	-20	-20
Total miscellaneous excise taxes.....	2,320	2,535	2,768
Undistributed Federal tax deposits and unapplied collections.....	-57	154	8
Total Federal fund excise taxes.....	19,097	17,426	16,233
Trust funds:			
Highway:			
Gasoline.....	8,886	8,730	8,846
Trucks, buses, and trailers.....	1,397	1,198	1,190
Tires, innertubes, and tread rubber.....	224	251	239
Diesel fuel used on highways.....	2,559	2,618	2,700
Use-tax on certain vehicles.....	379	406	430
Proposed legislation[17].....	....	....	623
Refunds.....	-428	-180	-214
Total highway trust fund...	13,015	13,022	13,814
Airport and airway:			
Transportation of persons..	2,509	2,607	2,882
Waybill tax.....	134	144	154
Tax on fuels.....	104	114	118
International departure tax	108	94	98
Refunds.....	-4	-5	-5

[17] President's proposed repeal of gasohol and bus excise tax exemptions.

Total airport and airway trust fund.....	2,851	2,954	3,247
Aquatic resources trust fund.	126	203	182
Black lung disability insurance trust fund.....	581	546	580
Proposed legislation[18].....	....	....	203
Inland waterway trust fund.....	40	51	52
Hazardous substances response trust fund.....	273	15	....
Proposed legislation[19].....	....	412	893
Post-closure liability trust fund[20].....	7	....	....
Total trust fund excise taxes	16,894	17,202	18,970
Total excise taxes	35,992	34,628	35,203

Source: Fiscal 1987 Budget

[18] President's proposed increase in coal excise tax; a lesser tax rate increase was enacted in P.L. 99-272 (effective on April 1, 1986.

[19] President's prposed extension and increase in "Superfund" excise taxes and repeal of post-closure excise tax. Proposed legislation to extend and revise these excise taxes pending in conference on H.R. 2005.

[20] Ibid.

APPENDIX C: TARIFFS, VALUE AND COLLECTIONS, BY MAJOR CATEGORY, CALENDAR YEAR 1985

	Dutiable Value	Estimated Duties Collected	Average Tariff Rate
Meats	$ 1,648	$ 43	2.6%
Dairy products	398	38	9.5%
Fish	907	45	5.0%
Fruit/vegetables	2,461	347	14.1%
Alcoholic beverages	2,762	127	4.6%
Tobacco	526	64	12.2%
Crude oil	31,354	106	0.3%
Petroleum products	15,596	107	0.7%
Organic chemicals	3,129	269	8.6%
Inorganic chemicals	942	37	3.9%
Pharmaceuticals	754	29	3.8%
Tires	1,728	73	4.2%
Plywood	599	41	6.8%
Paper	1,382	47	3.4%
Textile yarns & fabrics	4,464	494	11.1%
Glass	1,702	192	11.3%
Iron and Steel mill products	9,358	492	5.3%
Non-ferrous metals	3,495	75	2.2%
Metal manufactures, NSPF	4,611	253	5.5%
Power generating machinery	3,789	147	3.9%
Special purpose machinery	5,647	213	3.8%
Metalworking machinery	2,599	119	4.6%
General industrial machinery	7,108	303	4.3%
Office machinery	10,643	443	4.2%
Sound recording and reproducing apparatus	17,474	900	5.2%
Electrical machinery, NSPF	15,744	736	4.7%
Autos, buses, trucks	31,919	1,639	5.1%
Auto parts	4,382	146	3.3%
Apparel	14,610	3,028	20.7%
Footwear	5,695	572	10.1%
Scientific instruments	2,391	186	7.8%
Toys, games	2,221	187	8.4%

Source: Department of the Treasury, U.S. Customs Service